



# Autoliv Update

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Bank of America Merrill Lynch  
Global Industrials & EU Autos Conference  
March 17, 2014



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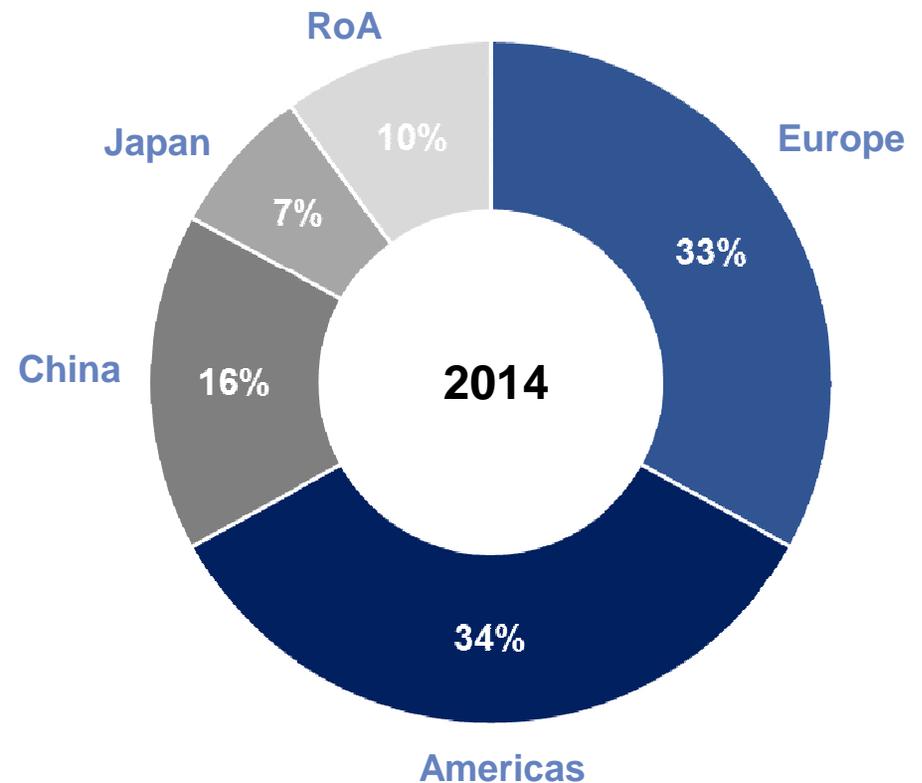
# Safe Harbor Statement \*

This presentation contains statements that are not historical facts but rather forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include those that address activities, events or developments that Autoliv, Inc. or its management believes or anticipates may occur in the future. All forward-looking statements, including without limitation, management's examination of historical operating trends and data, as well as estimates of future sales, operating margin, cash flow, effective tax rate or other future operating performance or financial results, are based upon our current expectations, various assumptions and data available from third parties. Our expectations and assumptions are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that such forward-looking statements will materialize or prove to be correct as forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors which may cause actual future results, performance or achievements to differ materially from the future results, performance or achievements expressed in or implied by such forward-looking statements. Because these forward-looking statements involve risks and uncertainties, the outcome could differ materially from those set out in the forward-looking statements for a variety of reasons, including without limitation, changes in global light vehicle production; fluctuation in vehicle production schedules for which the Company is a supplier, changes in general industry and market conditions, changes in and the successful execution of our capacity alignment, restructuring and cost reduction initiatives discussed herein and the market reaction thereto; loss of business from increased competition; higher raw material, fuel and energy costs; changes in consumer and customer preferences for end products; customer losses; changes in regulatory conditions; customer bankruptcies or divestiture of customer brands; unfavorable fluctuations in currencies or interest rates among the various jurisdictions in which we operate; component shortages; market acceptance of our new products; costs or difficulties related to the integration of any new or acquired businesses and technologies; continued uncertainty in pricing negotiations with customers, our ability to be awarded new business; product liability, warranty and recall claims and other litigation and customer reactions thereto; higher expenses for our pension and other postretirement benefits; work stoppages or other labor issues; possible adverse results of pending or future litigation or infringement claims; negative impacts of antitrust investigations or other governmental investigations and associated litigation (including securities litigation) relating to the conduct of our business; tax assessments by governmental authorities and changes in our effective tax rate; dependence on key personnel; legislative or regulatory changes limiting our business; political conditions; dependence on and relationships with customers and suppliers; and other risks and uncertainties identified under the headings "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Reports and Quarterly Reports on Forms 10-K and 10-Q and any amendments thereto. The Company undertakes no obligation to update publicly or revise any forward-looking statements in light of new information or future events. For any forward-looking statements contained in this or any other document, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, and we assume no obligation to update any such statement.

(\*) Non-US GAAP reconciliations are disclosed in our 8-K/10-K/10-Q filings available at [www.sec.gov](http://www.sec.gov) or [www.autoliv.com](http://www.autoliv.com).

# Autoliv in Brief

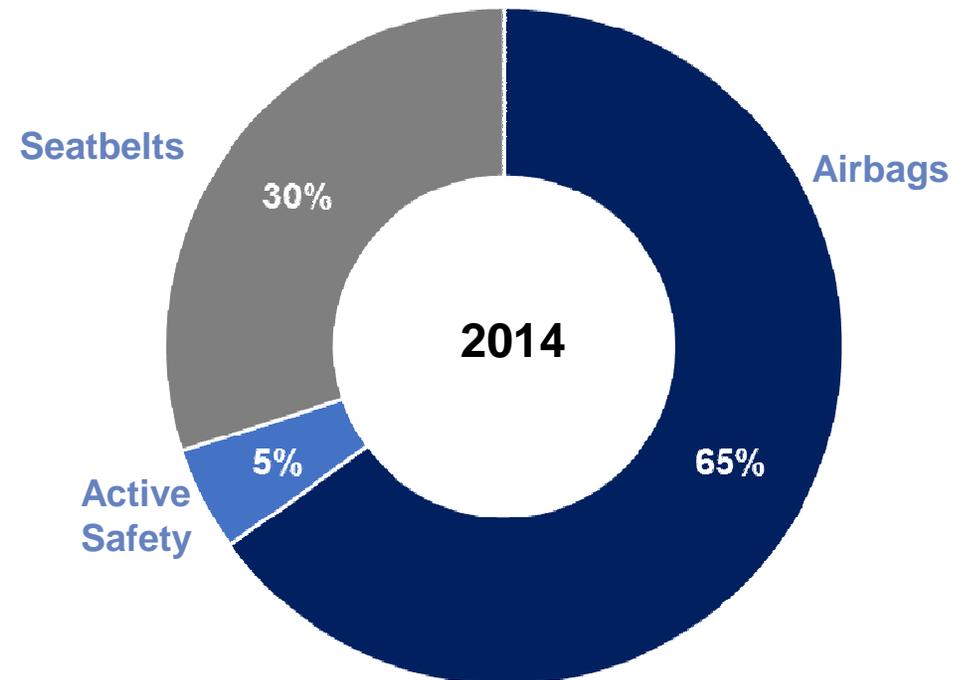
- Sales and technology leader
- Sales US\$9.2 billion
- Sales to all major vehicle manufacturers
- Fortune 500 company with an A- credit rating (S&P)
- ~ 80 facilities in 28 countries
- 18 technical centers and 20 crash test tracks
- > 60,000 associates of which ~ 5,500 in R,D&E



🌐 Well balanced geographic presence

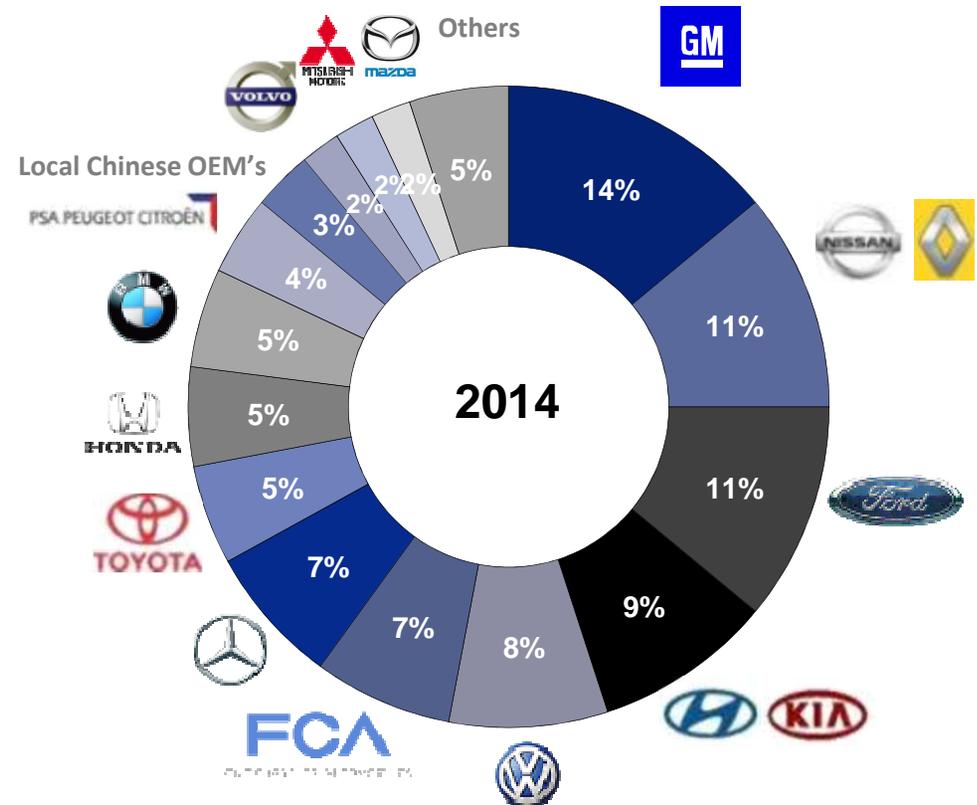
# Autoliv in Brief

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# Autoliv in Brief

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Our diversified customer base includes virtually all the world's vehicle manufacturers

# Q4 Highlights

another quarter of solid financial performance

## ■ Financial Performance

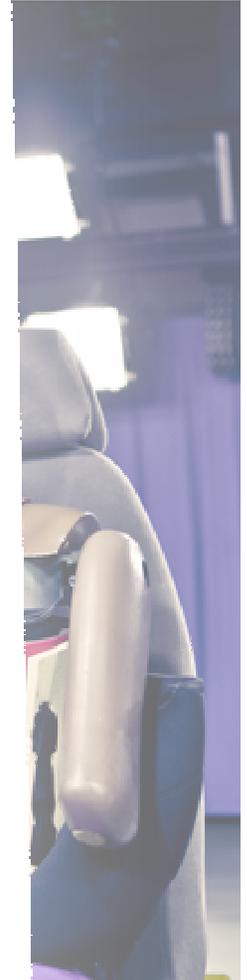
- Organic sales\* growth 5.1%, almost 4pp better than LVP
- Operating margin\* 10.1%, better than expected
- EPS\* \$1.81, YoY improvement ~ 7%
- RoCE\* ~ 26%, RoE\* ~ 18%
- Operating cash flow \$229M

## ■ Shareholder returns

- \$234M, dividend paid \$0.54 per share and repurchased ~ 1.9M shares

## ■ Active Safety

- Organic sales\* growth ~ 49%



📌 Organic Sales\* growth and Operating margin\* better than guidance.

(\*) Non-US GAAP measure, Earnings per share, Return on Capital Employed and Return on Equity exclude costs for capacity alignments and antitrust matters, Light Vehicle Production according to IHS @ January 16, 2015.

# Strong Performing Models

contributing to solid organic sales\* growth in Q4'14

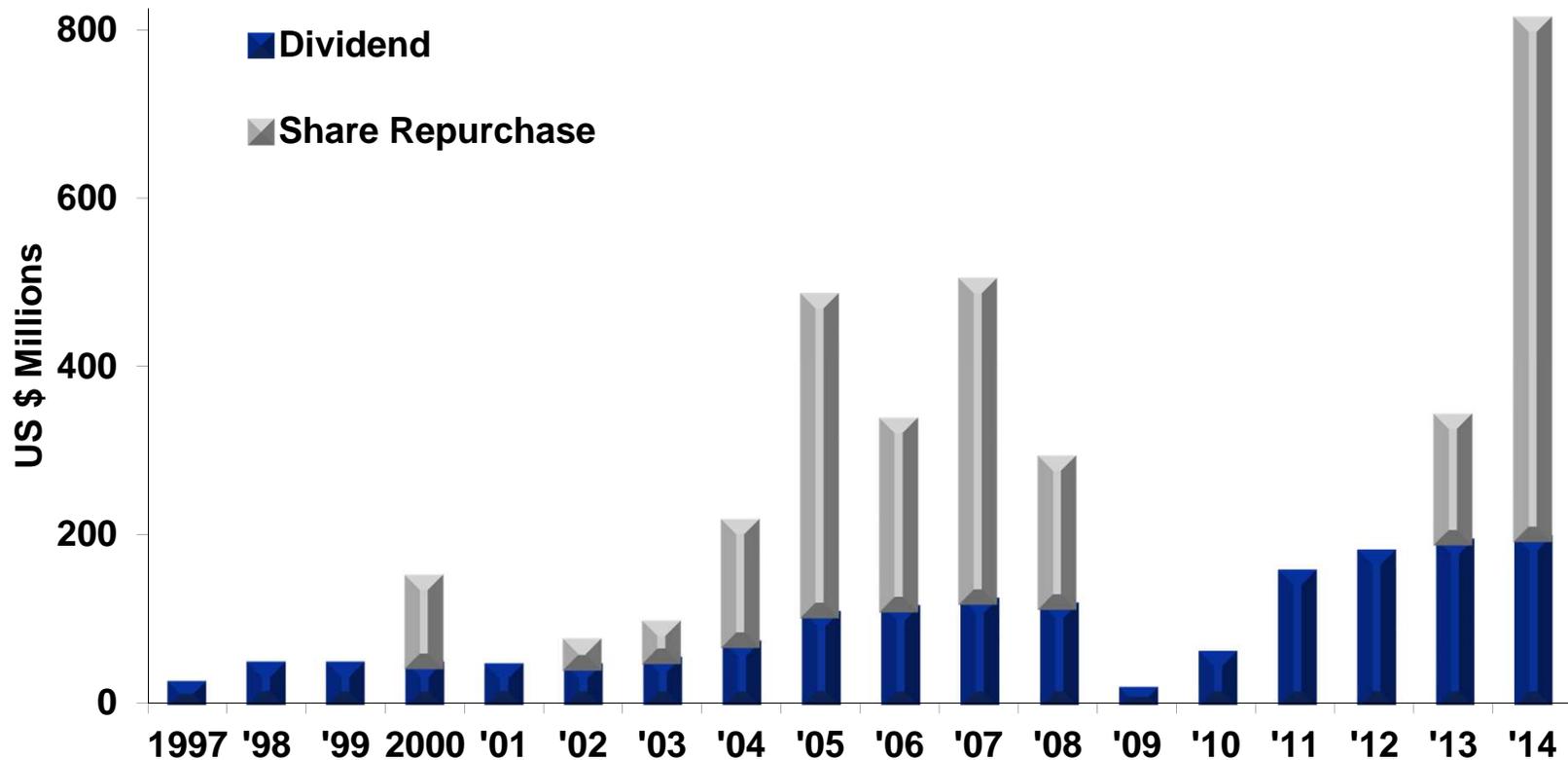


🚗 Active Safety organic sales\* growth ~ 49% in Q4'14.

(\*) Non-US GAAP measure.

# Shareholder Returns

- dividends and buybacks combined ~ \$811M for FY'14



🔄 Roughly two-thirds of our free cash flow\* has been returned to shareholders since the merger in 1997.

(\*) Cash flow before financing

# 2014 Recap

another year of solid overall performance

## ■ Strong Growth

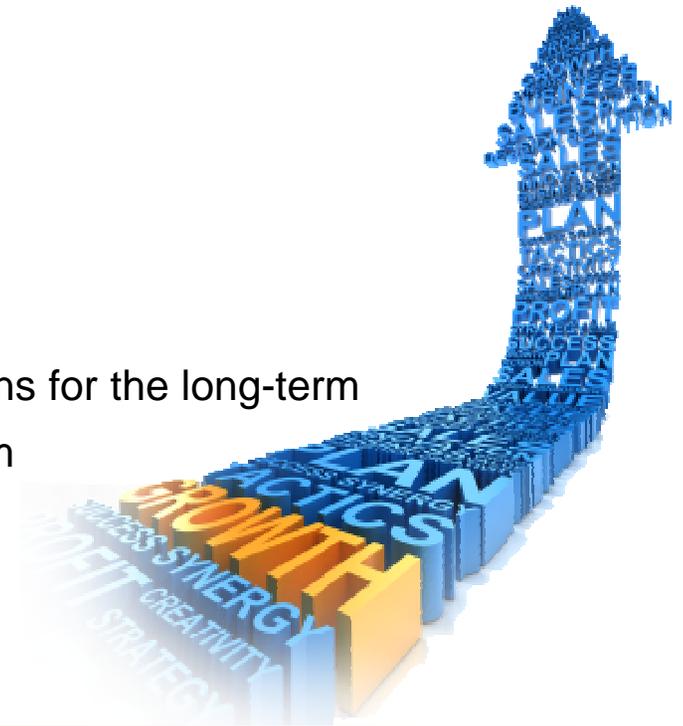
- organic sales\* growth 6.2%, essentially in-line with our overall market
- organic sales\* growth in Active Safety ~ 45% and China ~ 8%
- adjusted operating margin\* 9.1%

## ■ Strong Capital Structure

- record shareholders returns ~ \$811M, leverage ratio\* 0.3x
- RoCE\* ~ 24% and RoE\* ~ 14%

## ■ Transition year

- addressing margin challenges to achieve sustainable margins for the long-term
- aligning capacity footprint with the market\*\* for the long-term
- expansion continues in active safety and growth markets including vertical integration in China
- new operating structure announced



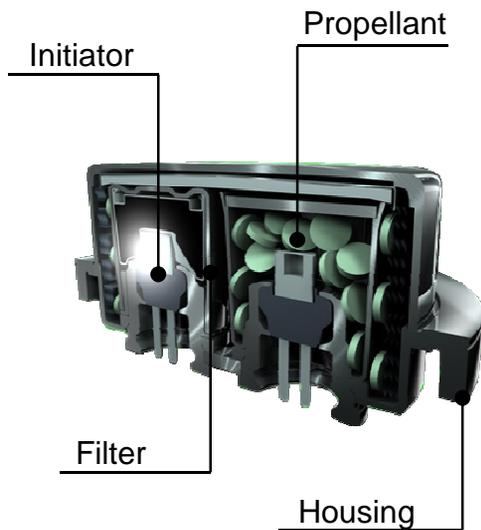
🔗 A balanced approach to growth, margins and capital deployment for the long-term.

(\*) Non-US GAAP measure, Return on capital Employed, Return on Equity, (\*\*) Light Vehicle Production according to IHS @ January 16, 2015.

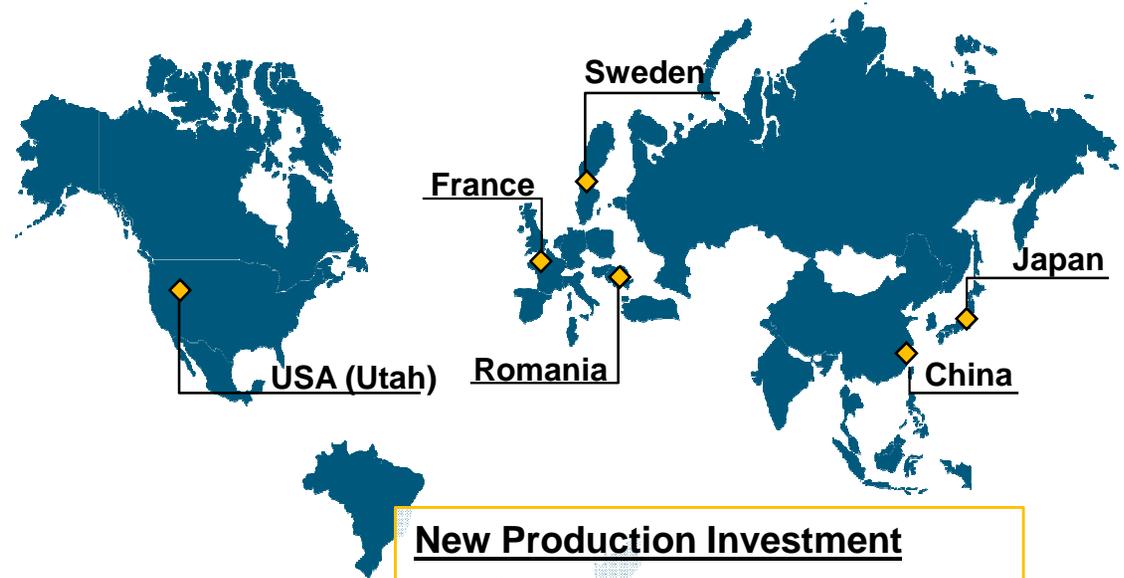
# Autoliv Inflators

an industry standard

## Pyrotechnical Inflator



## Manufacturing Footprint



- New Production Investment**
- 12 Inflator Lines
  - 4 Initiator Lines
  - 1 Spray Dryer
  - 5 Presses

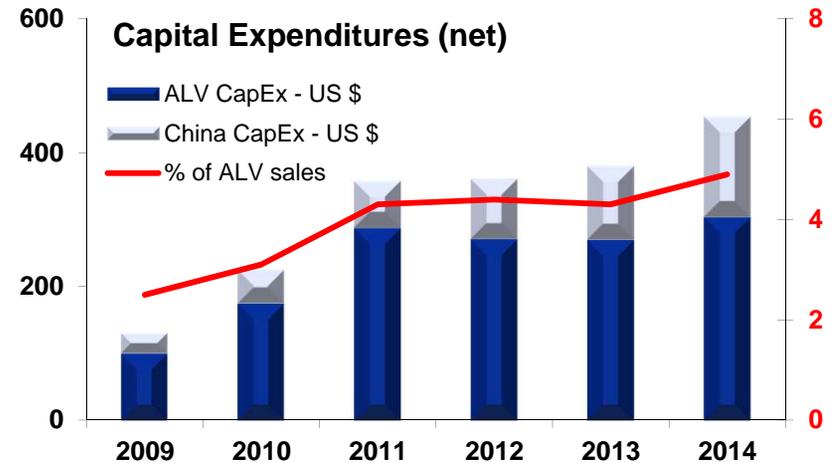
🌐 Global capability includes in-house production of propellant, initiators and inflator assembly in all major regions.

# Executing our Growth Strategies

- China organic sales\* growth ~ 8% in FY'14

## Investments for Growth:

- LVP\*\* ~ 5% CAGR from 22M in 2014 to 29M in 2020
- CPV\*\* ~ 1% CAGR from 2014 to 2017
- Increasing footprint and asset utilization;
  - Passive Safety and Electronics
  - Vertical Integration in textiles, propellant, initiators



📍 CapEx investments for top-line growth and vertical integration to support the region.

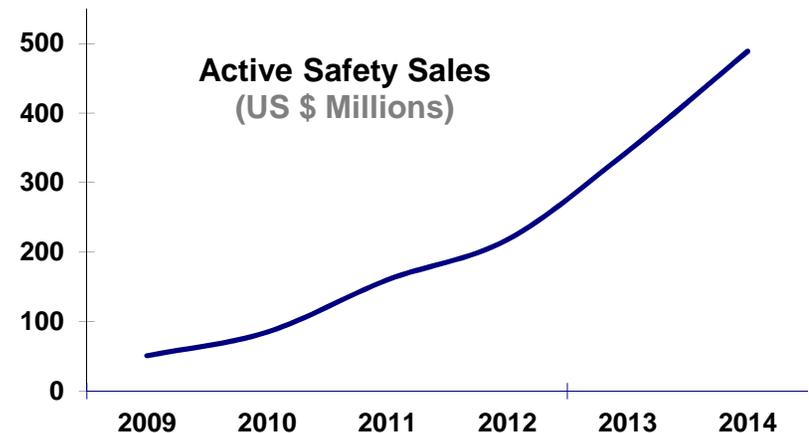
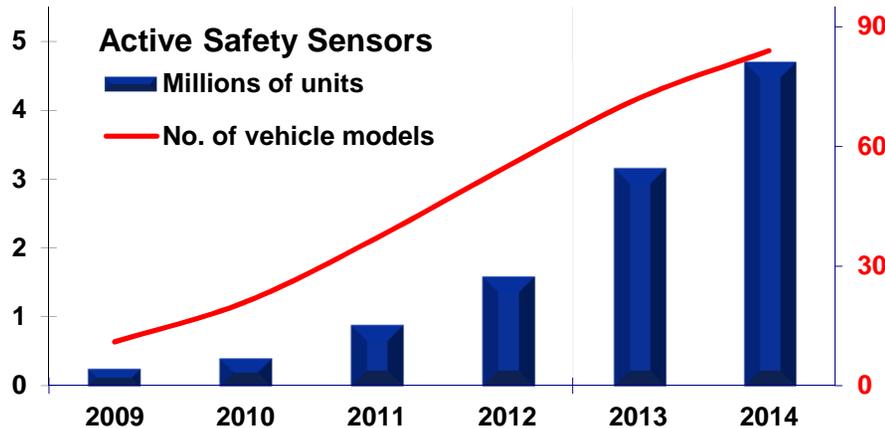
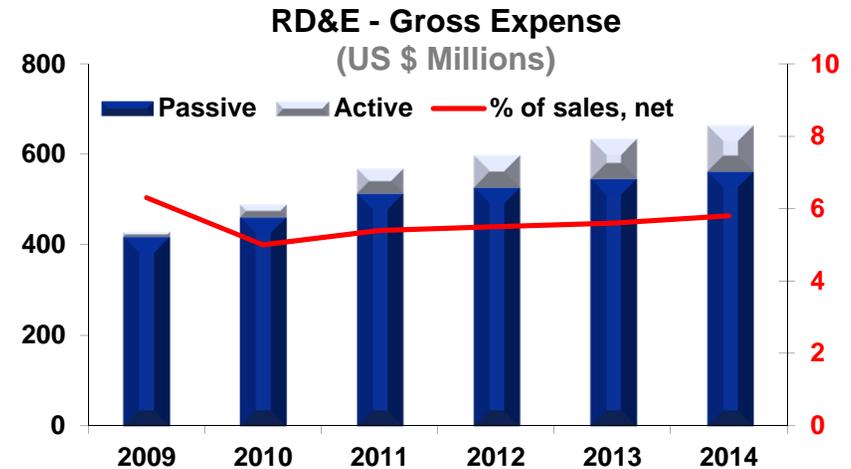
(\* Non US GAAP measure, (\*\* Light Vehicle Production IHS @ January 16, 2015, Content per Vehicle according to internal Autoliv estimates.

# Executing our Growth Strategies

- Active Safety organic sales\* growth ~ 45% in FY'14

## RD&E Spending:

- Many new technologies in development launching in 2015;
  - Mono & Stereo Vision, radar, AS domain controller, high powered active seatbelts
- Increasing customer expectations
- Margin leverage as gain critical mass



Technology investments for active safety is contributing to top-line sales growth.

(\*) Non-US GAAP measure.

# Key Model\* Launches during 2015 with Autoliv products



🔗 Featuring both our Passive and Active Safety technologies

(\* ) Some illustrations may represent current models already in production..

# Q4 Financial Overview

better than expected solid financial performance



(US\$ Million's unless specified)	2014	2013
<b>Sales</b>	<b>\$2,354</b>	<b>\$2,352</b>
<b>Gross Profit</b>	<b>\$468</b> 19.9%	<b>\$455</b> 19.3%
<b>Operating Income*</b>	<b>\$237</b> 10.1%	<b>\$236</b> 10.0%
<b>EPS*</b> (assuming dilution)	<b>\$1.81</b>	<b>\$1.70</b>
<b>RoCE*</b>	<b>26%</b>	<b>27%</b>
<b>RoE*</b>	<b>18%</b>	<b>16%</b>
<b>Operating Cash flow</b>	<b>\$229</b>	<b>\$299</b>
<b>Dividend**</b>	<b>\$0.54</b>	<b>\$0.50</b>
<b>GLVP***</b> (annual run rate)	<b>~ 87M</b>	<b>~ 86M</b>

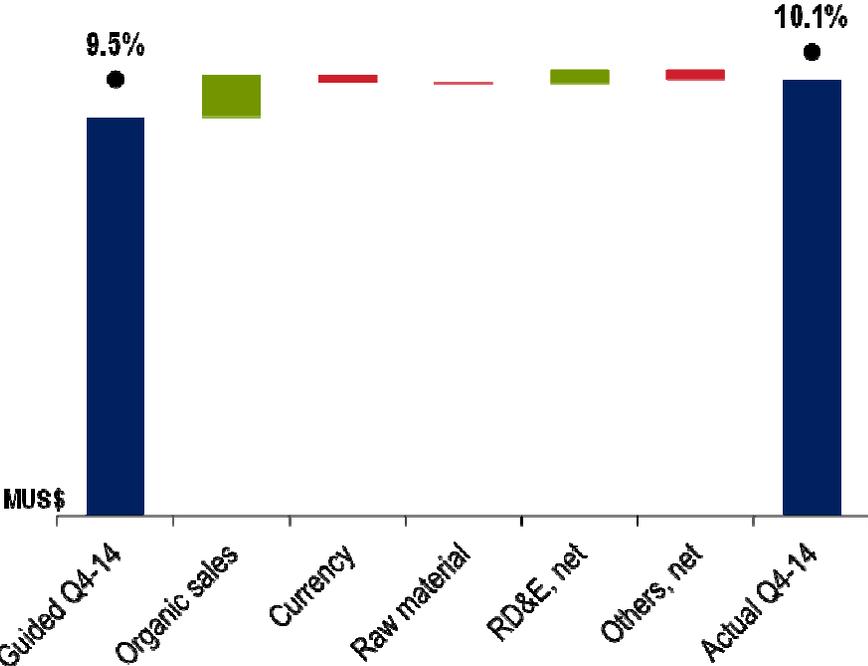
## Record sales and gross profit

(\*) Non-US GAAP, Earnings per share, Return on Capital Employed and Return on Equity exclude costs for capacity alignments, antitrust matters and valuation allowance for deferred tax assets, (\*\*) Dividend paid per share, (\*\*\*) Global Light Vehicle Production according to IHS @ January 16, 2015.

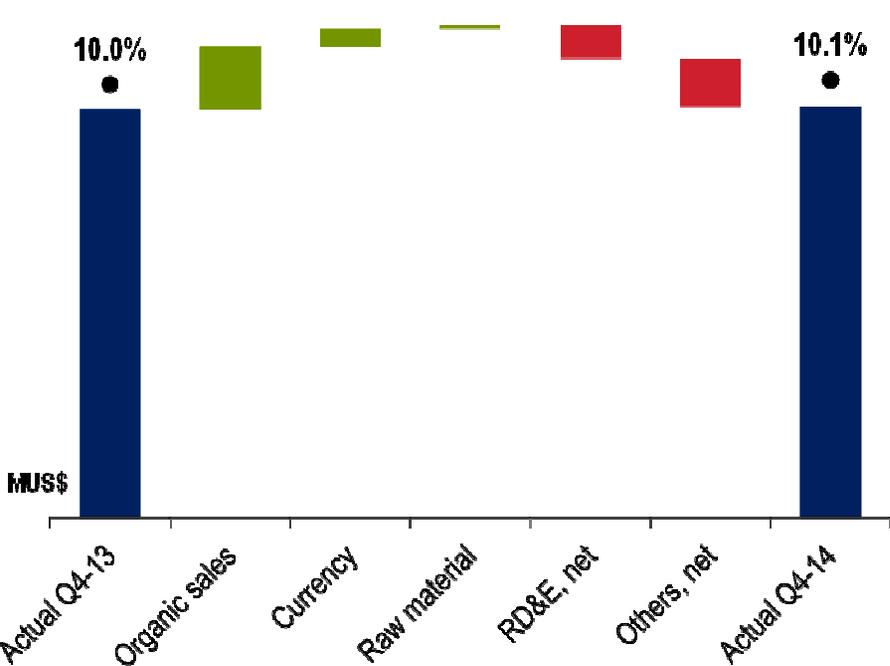
# Q4 2014 Operating Income\* Bridge

vs. Guidance and Prior Year

Q4'14 vs. Guidance (60 bps higher)



Q4'14 vs. Prior Year (10 bps higher)



📍 Operating Margin\* 10.1%

(\*) Non-US GAAP measure, excludes costs for capacity alignments and antitrust matters.



# Currency Effects Summary

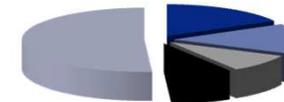
## - Translation vs. Transaction

### Translation

- Limited Hedging possibilities
- ~75% of sales non US \$, mainly EUR, CNY, JPY, MXN & KRW
- Impacts financial statements\*
- Convert revenue and cost with the same rates, which could create a limited margin effect based on mix
- Each quarter the YTD P&L is recalculated to the current average rate
- FY'14 unfavorable effect;
  - Sales (\$112M)
  - Operating income ~ (\$9M)
  - EPS ~ (\$0.05)

### Transaction\*\*

- Natural Hedging Strategy
- Net exposure in FY'14 ~\$2B corresponding to ~21% of ALV sales
- Impacts margins and earnings
- >40 currency pairs with >\$1M exposure
- FY'14 operating income ~\$35M or ~\$0.26 EPS
- Top 4 currency pairs ~ half of net exposure for FY'14



- Sell USD buy MXN 17%
- Sell EUR buy SEK 15%
- Sell CNY buy EUR 9%
- Sell KRW buy USD 8%
- Other 51%

- Currency mix as of mid-January is favorable for ALV however unfavorable for electronics business

🔄 Stronger US \$ is unfavorable for translation and is presently favorable for transaction based on a positive mix

(\*) Balance Sheet @ closing rate, Income Statement and Cash flow @ average rate, (\*\*) Includes revaluation effects with inflationary accounting.

# FY Financial Overview

another year of solid financial performance



(US\$ Millions's unless specified)	2014	2013
<b>Sales</b>	<b>9,240</b>	<b>\$8,803</b>
<b>Gross Profit</b>	<b>\$1,804</b> 19.5%	<b>\$1,705</b> 19.4%
<b>Operating Income*</b>	<b>\$842</b> 9.1%	<b>\$808</b> 9.2%
<b>EPS*</b> (assuming dilution)	<b>\$5.93</b>	<b>\$5.82</b>
<b>RoCE*</b>	<b>24%</b>	<b>23%</b>
<b>RoE*</b>	<b>14%</b>	<b>14%</b>
<b>Operating Cash flow</b>	<b>\$713</b>	<b>\$838</b>
<b>Dividend**</b>	<b>\$2.12</b>	<b>\$2.00</b>
<b>GLVP***</b>	<b>~ 85.6M</b>	<b>~ 82.8M</b>

## 📌 Record sales and gross profit

(\*) Non-US GAAP, Earnings per share, Return on Capital Employed and Return on Equity exclude costs for capacity alignments, antitrust matters and valuation allowance for deferred tax assets, (\*\*) Dividend paid per share, (\*\*\*) Global Light Vehicle Production according to IHS @ January 16, 2015.

# Cash Flow

## - Investments for growth in CapEx and shareholder returns

(US\$ Million's unless specified)

	<b>Q4 2014</b>	<b>Q4 2013</b>	<b>FY 2014</b>	<b>FY 2013</b>	<b>FY 2012</b>	<b>FY 2011</b>	<b>FY 2010</b>
Net Income	148	101	469	490	486	627	596
Depreciation & Amortization	77	75	305	286	273	268	282
Other, net	21	5	42	43	10	38	57
Change in operating WC*	(17)	118	(103)	19	(80)	(175)	(11)
<b>Operating cash flow</b>	<b>229</b>	<b>299</b>	<b>713</b>	<b>838</b>	<b>689</b>	<b>758</b>	<b>924</b>
Capital Expenditures, net	(128)	(112)	(453)	(379)	(360)	(357)	(224)
<b>Free cash flow**</b>	<b>101</b>	<b>187</b>	<b>260</b>	<b>459</b>	<b>329</b>	<b>401</b>	<b>700</b>
<b>Dividend payment</b>	<b>48</b>	<b>48</b>	<b>195</b>	<b>191</b>	<b>178</b>	<b>154</b>	<b>58</b>
<b>Share repurchase</b>	<b>186</b>	<b>148</b>	<b>616</b>	<b>148</b>	<b>0</b>	<b>0</b>	<b>0</b>

📌 Record shareholder returns for FY'14.

(\*) Non US GAAP measure, (\*\*) Non-US GAAP measure, before acquisitions, reconciliation to free cash flow is provided above.

# Capacity Alignment Program

## planning for further actions in FY'15



(US\$ Million's unless otherwise specified)	<b>FY13</b>	<b>Q1'14</b>	<b>Q2'14</b>	<b>Q3'14</b>	<b>Q4'14</b>	<b>FY14</b>
<b>Cost (gross)</b>	\$40	\$5	\$11	\$10	\$19	\$45
<b>Cash outlay*</b>	\$20	\$5	\$7	\$11	\$21	\$44
<b>Savings*</b>	\$12	\$1	\$2	\$2	\$1	\$6
<b>Balance Sheet*</b>	\$94	\$94	\$96	\$88	\$80	

🔴 Assumptions for FY'15 are to expense  $\geq$  \$60M with a cash outlay  $\geq$  \$50M and additional savings of  $\sim$  \$20M.

(\*) Employee Related.

# Looking Ahead

## - Q1'15 Guidance (Jan 29 2015)

### ■ Sales

- **YoY organic sales\* increase ~ 3%**

- mainly related to strong growth in Active Safety and Europe as well North America and China

- **Sequential organic sales\* decline ~ 5%**

- mainly in North America and China

### ■ Operating Margin\* ~ 8%

- **YoY**

- positive effects from organic sales, commodity costs and currencies are more than off-set by RD&E, net and the ramp-up of capacity for growth including inflator replacement business and vertical integration

- **Sequential**

- lower organic sales effect and higher RD&E, net



🔄 Organic sales\* growth in Q1'15 is more than offset by currency translation effects.

(\* Non-US GAAP measures, Operating Margin excludes costs for capacity alignments and antitrust matters.

# Looking Ahead

- FY'15 Indication (Jan 29 2015)

## ■ Sales

- **YoY organic sales\* increase > 6%**

- mainly related to strong growth in Active Safety and Europe as well North America and China

- **YoY currency translation decrease < 6%**

- primarily due to the strengthening US \$

## ■ Operating Margin\* ~ 9.5%

- **YoY**

- positive effects from organic sales, commodity costs and currencies are partially off-set by RD&E, net and the ramp-up of capacity for growth including inflator replacement business and vertical integration



🔗 Expected strong organic sales\* growth for FY'15 to be mostly offset by currency translation effects

(\* Non-US GAAP measures, Operating Margin excludes costs for capacity alignments and antitrust matters.

# Financial Outlook

- from January 29, 2015

	Q1'15	FY'15
<b>Sales</b>		
<b>Organic*</b>	~ 3%	> 6%
Acquisitions / (Divestitures)	-	-
Fx**	> (7)%	< (6)%
<b>Consolidated Sales</b>	<b>close to (5)%</b>	<b>&lt; 1%</b>
<b>Operating Margin*</b>	<b>~ 8%</b>	<b>~ 9.5%</b>

Exchange rates**	Q1 2015	FY 2015
EUR / US\$	1.18	1.18
US\$ / JPY	117	117
US\$ / KRW	1086	1083
US\$ / MXN	14.7	14.7
US\$ / CNY	6.2	6.2

📌 For FY'15 margins are expected to improve even with higher RD&E, net

(\*) Non-US GAAP measures, Operating Margin excludes costs for capacity alignments and antitrust matters, (\*\*) Mid-January exchange rates.

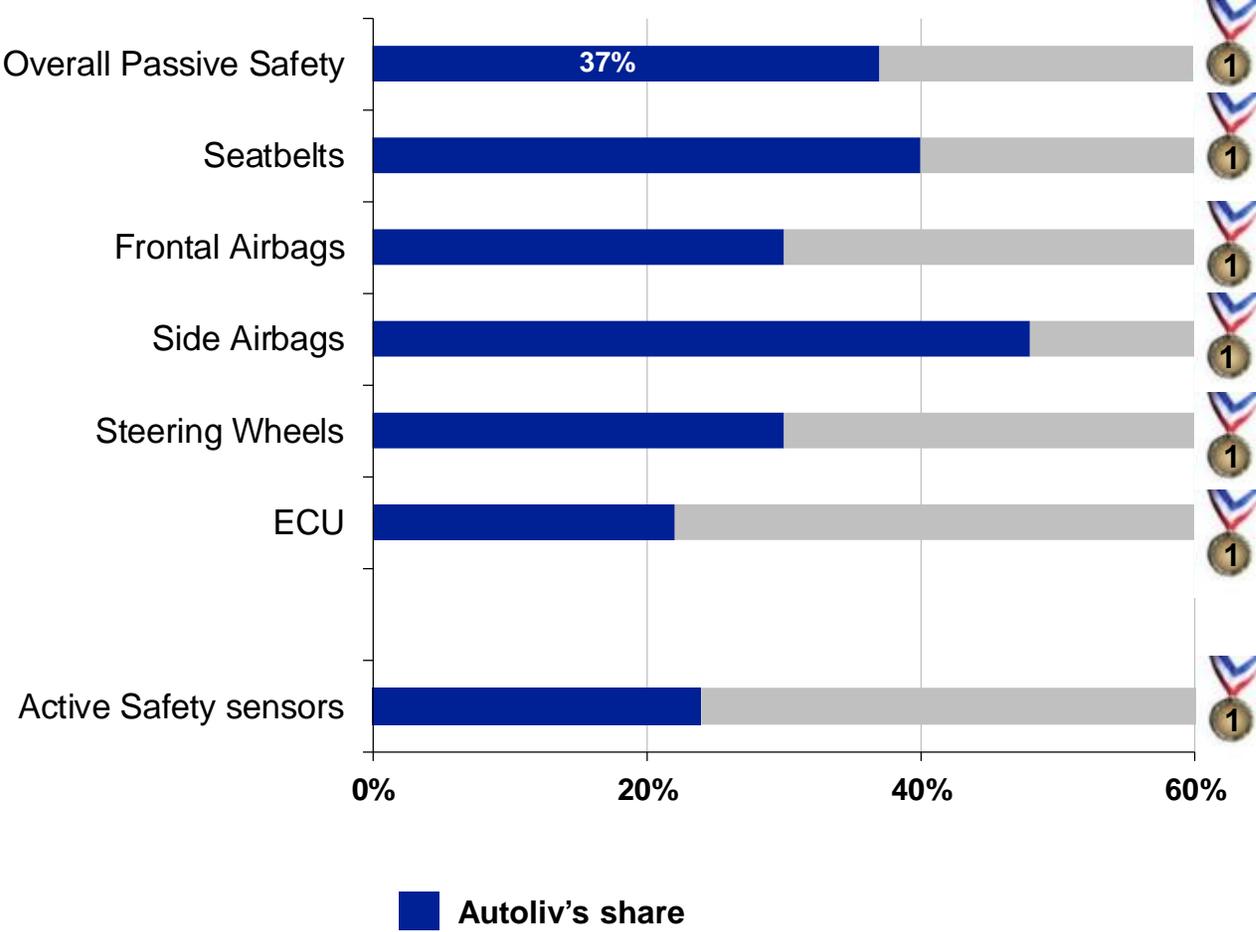


A blue humanoid robot is shown in profile, facing left. It has a smooth, featureless face and a neck with visible mechanical joints. The robot is surrounded by a complex network of black cables and wires. In the background, there are bright, circular lights and a blurred mechanical structure. A semi-transparent, greyish-blue rectangular box is overlaid on the robot's chest area, containing the text "Market Data".

## Market Data

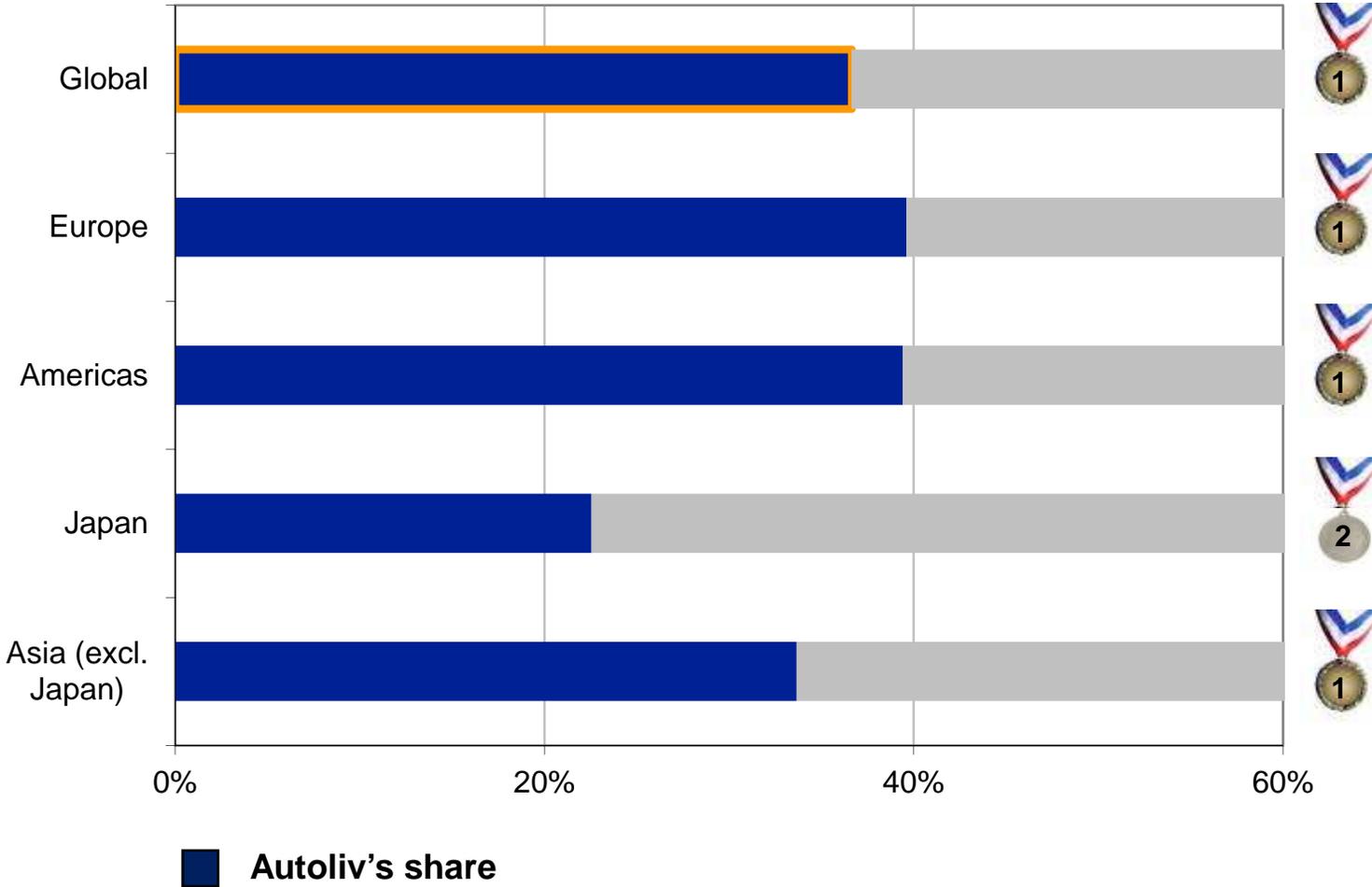
# Market Shares 2014

## - Global Safety Market Share by Product



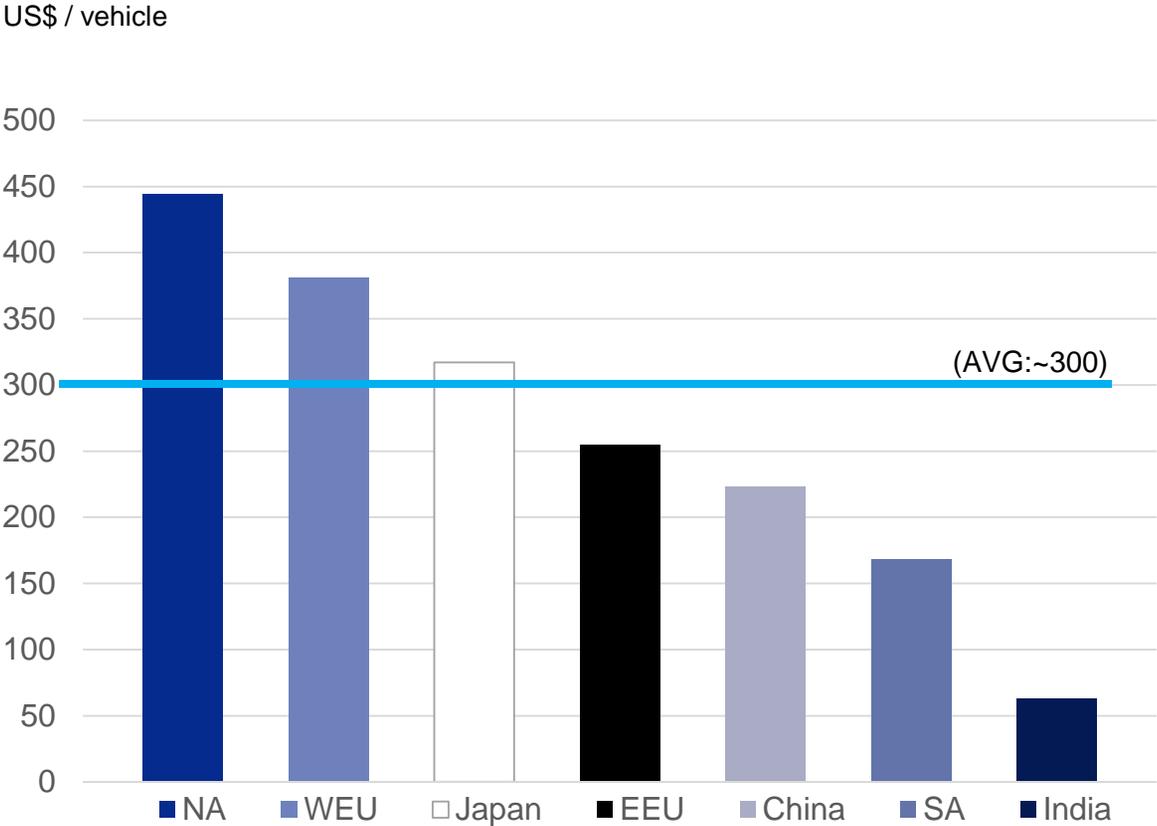
# Market Shares 2014

## - Passive Safety Market



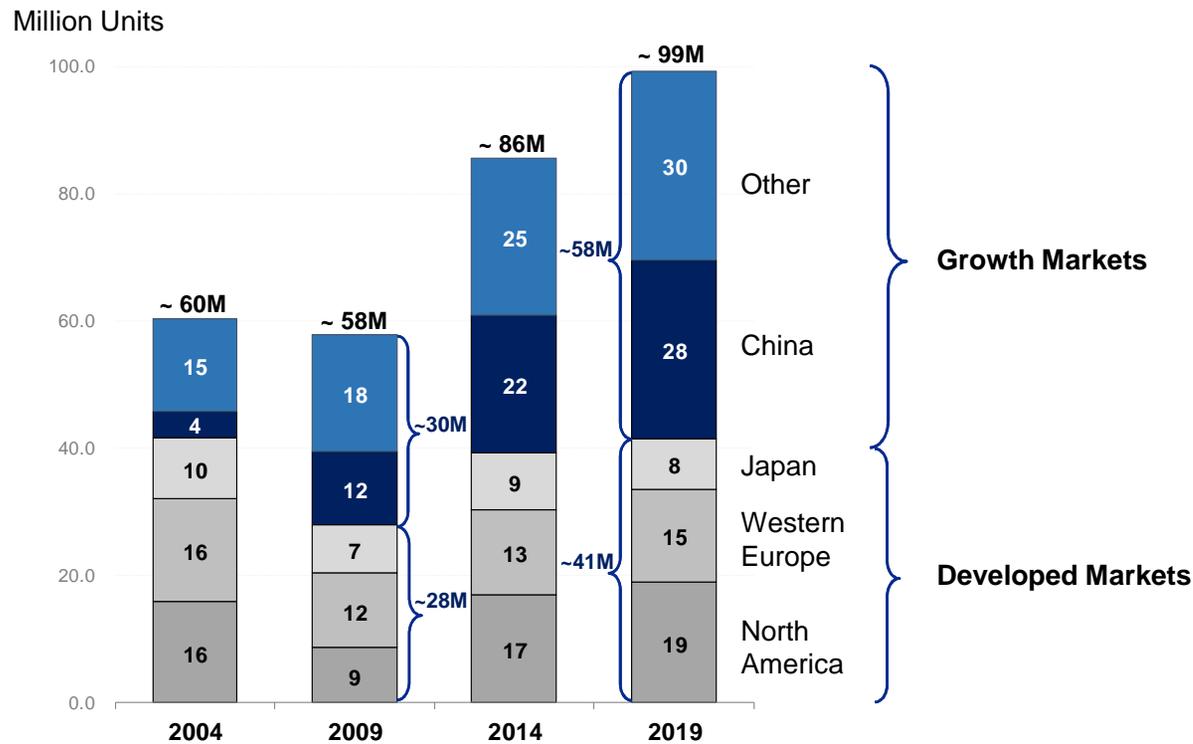
# Content per Vehicle \*

- Active and Passive Safety (incl. steering wheels)



# Light Vehicle Production Outlook

## - 2004 thru 2019

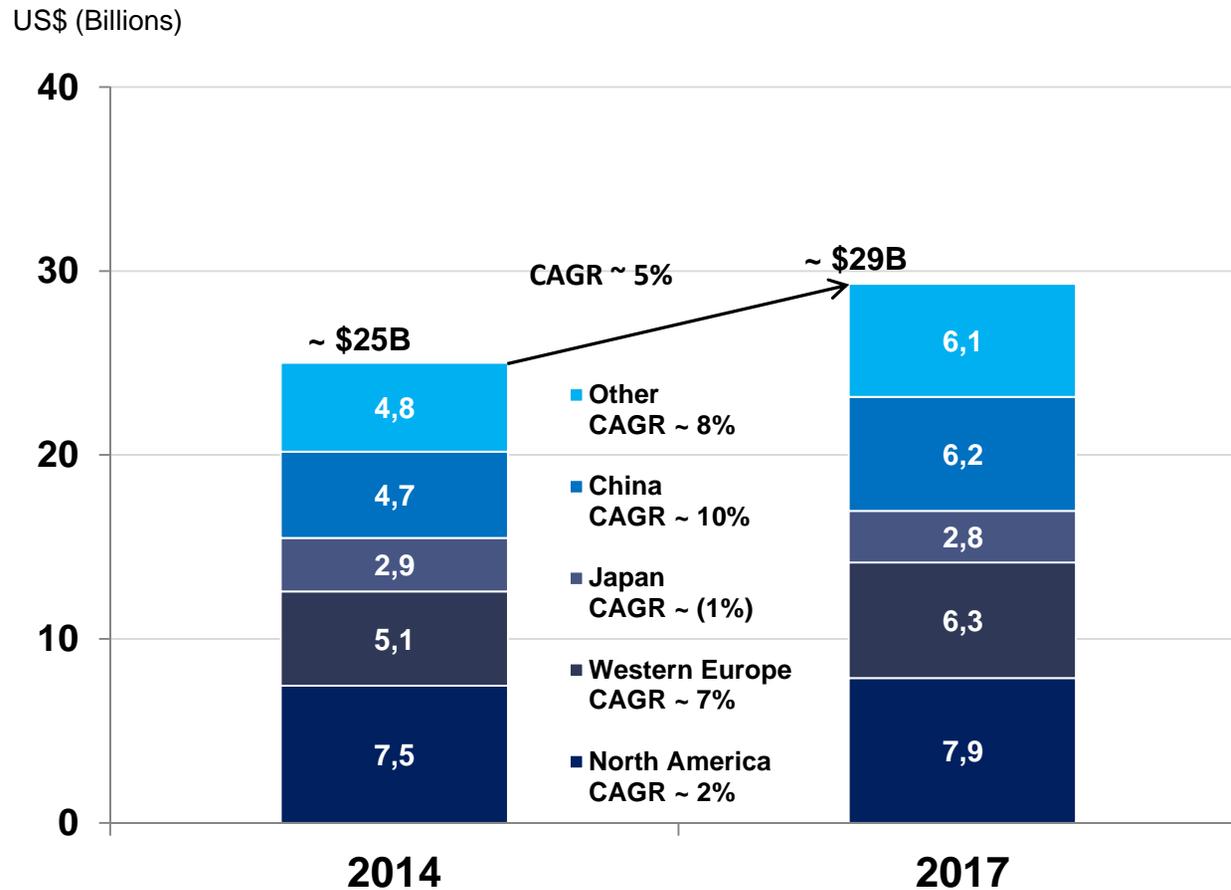


Expect the LVP increase from 2014-19 to be ~25% in the Growth Markets and ~5% in the TRIAD \*

Source: IHS @ January 16, 2015

# Market Growth Drivers by Region

- Strong presence in growth markets \*

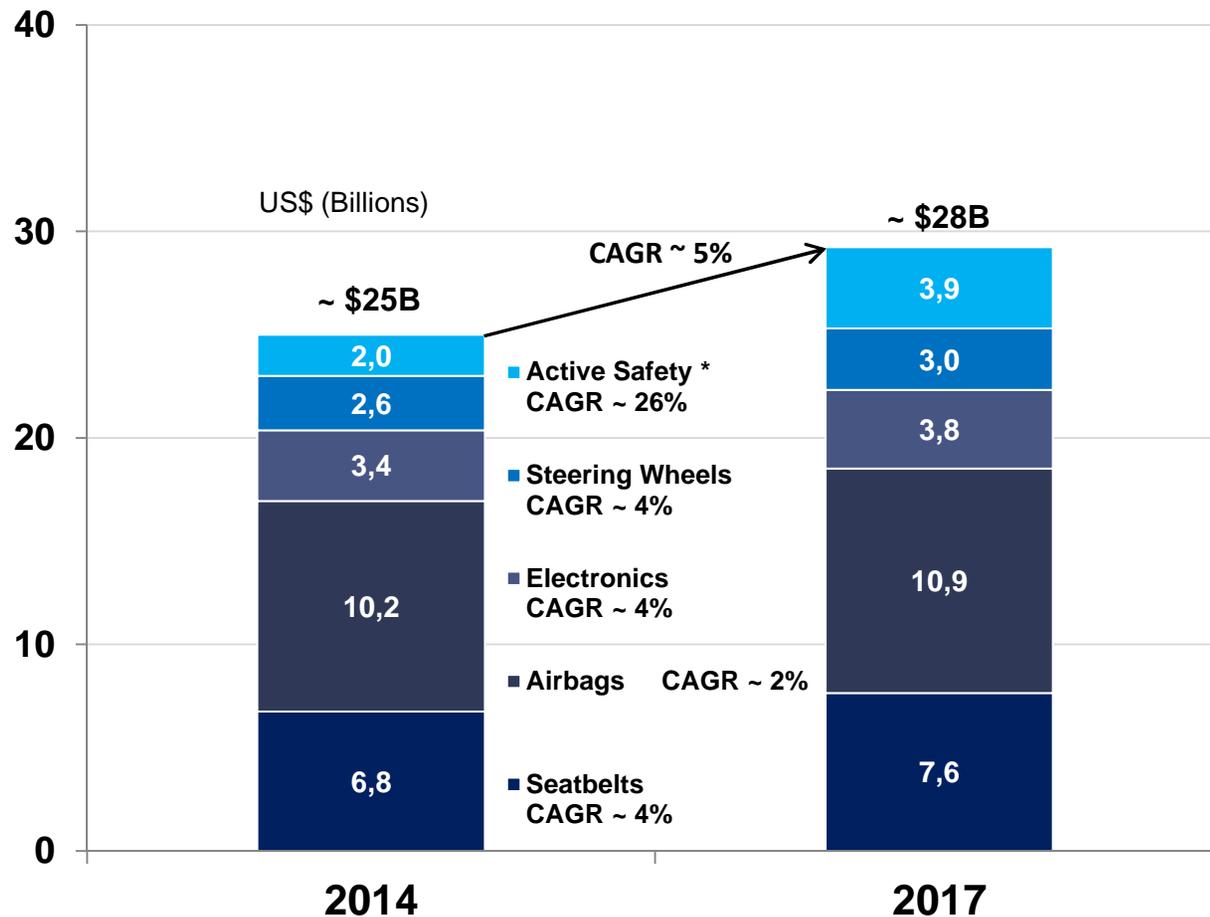


🌐 Growth markets\* combined CAGR increase ~4pp faster than the LVP in those markets

(\* Growth Markets (Eastern Europe, Asia excluding Japan, South America, Middle East/Africa). CAGR = Compound Annual Growth Rate

# Market Growth Drivers by Product

- Strong presence in product growth segments



📌 During the period active safety is expected to almost double

(\*) Includes radar, front-view camera, night driving assist. CAGR = Compound Annual Growth Rate



Preventive Safety  
Autonomous Driving

# Automated Driving

## Traffic Deaths



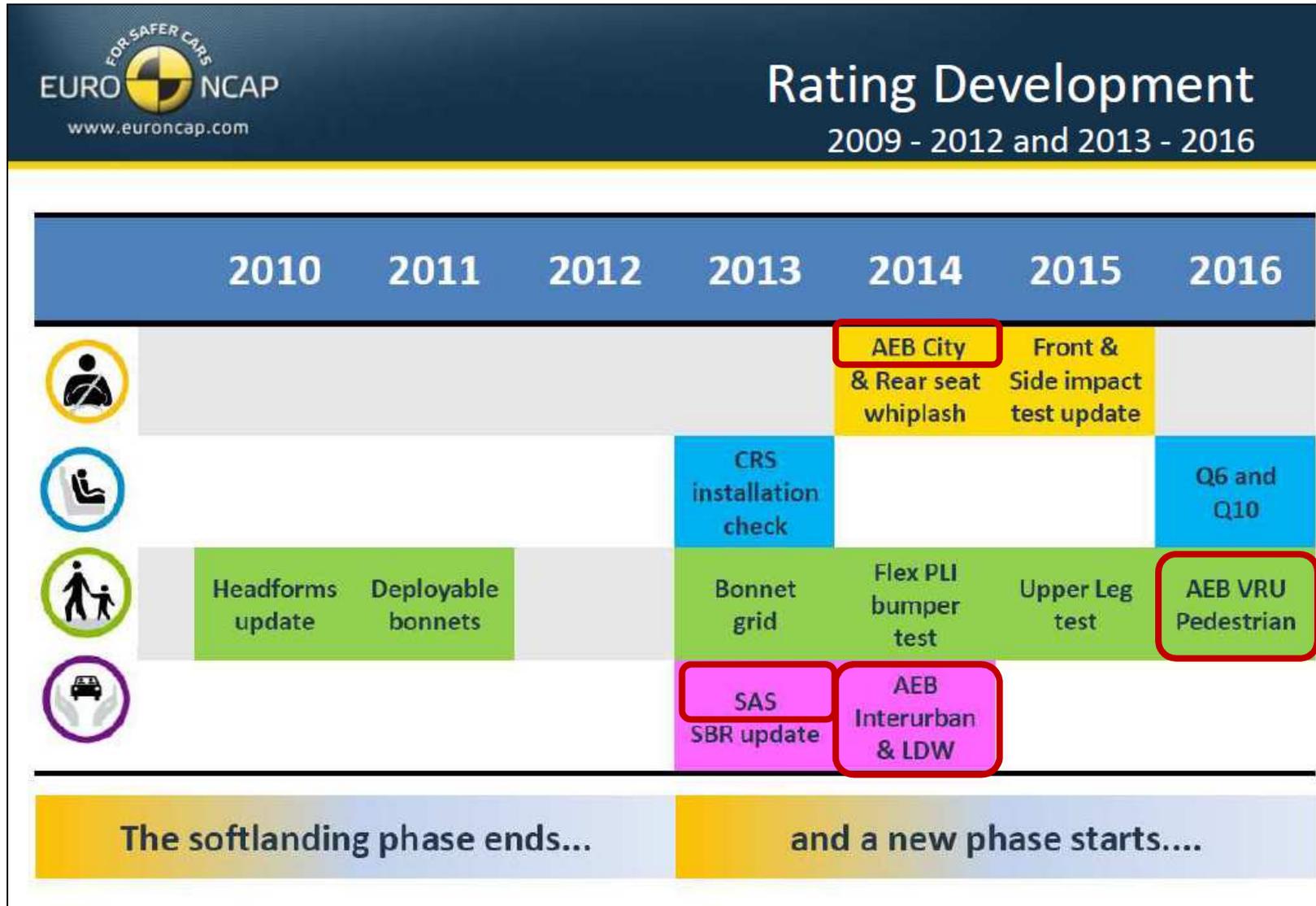
**By eliminating human errors that cause traffic accidents, Automated Driving can:**

- Prevent millions of crashes
- Reduce the severity of injuries and property damage
- Save lives

**Additional benefits:**

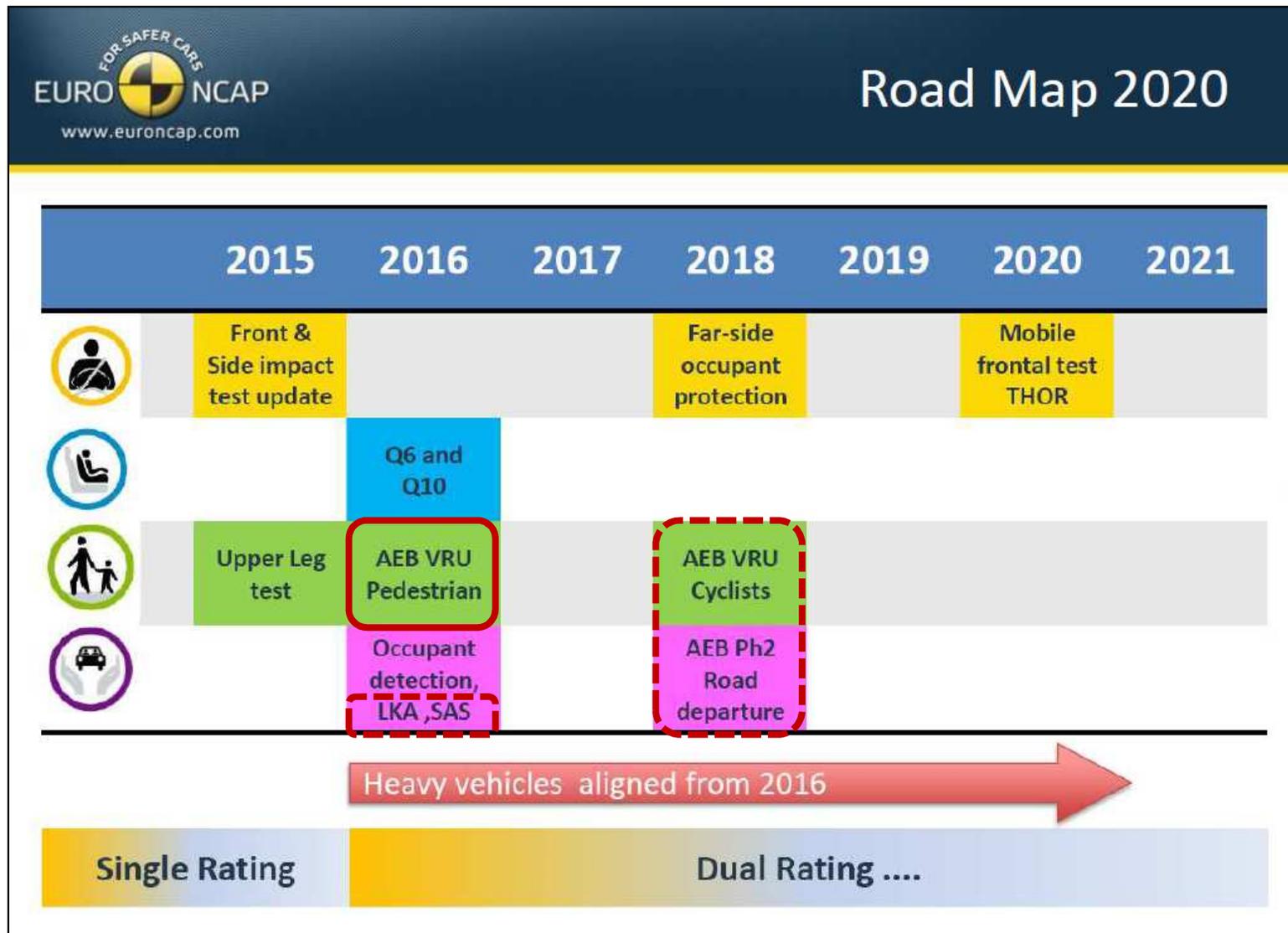
- Increase driver comfort and productivity
- Use infrastructure more efficiently
- Reduce environmental impact
- Improve mobility

# Euro NCAP Time Line



Source: [Presentation given by Euro NCAP president Andre Seek during AsPeCSs Final Event, June 30<sup>th</sup> 2014](#)

# Euro NCAP Time Line



  
Active Safety Items 2013-16

  
Active Safety Items 2016-20

Source: [Presentation given by Euro NCAP president Andre Seek during AsPeCSs Final Event, June 30<sup>th</sup> 2014](#)

# ALV Strategy



# Evolution of Driver Assistance

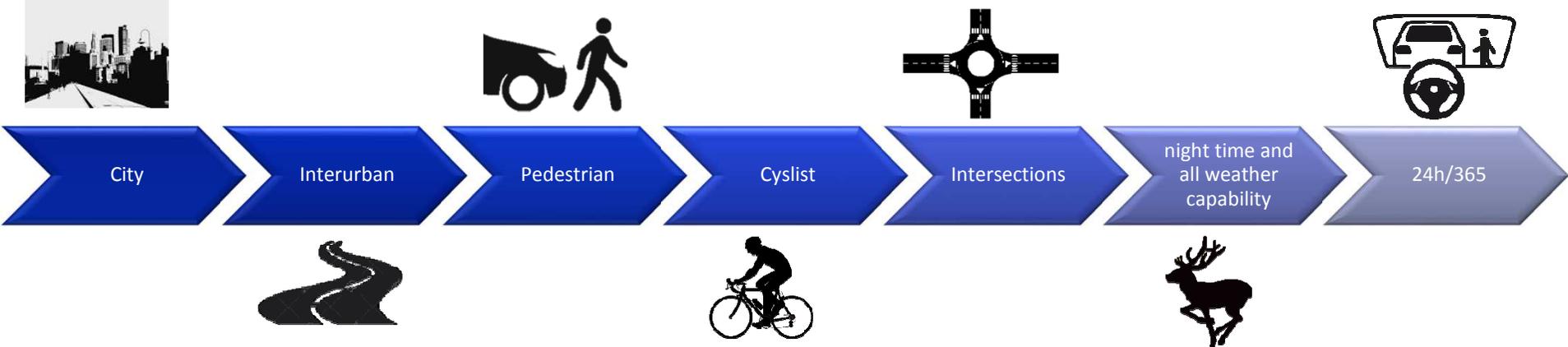
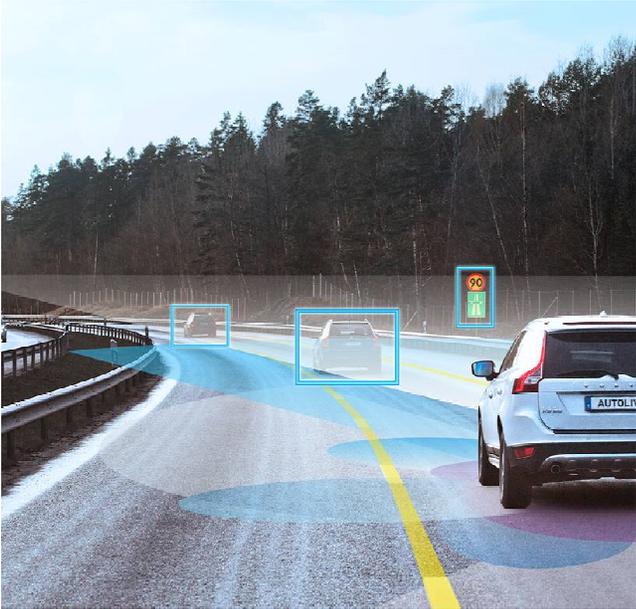


# Autonomous Emergency Braking (AEB)

an important enabler for Automated driving

## Autoliv

- Radar based AEB in production since 2013
- Sensor fusion AEB launching in 2015
- Vision based collision warning launching in 2015

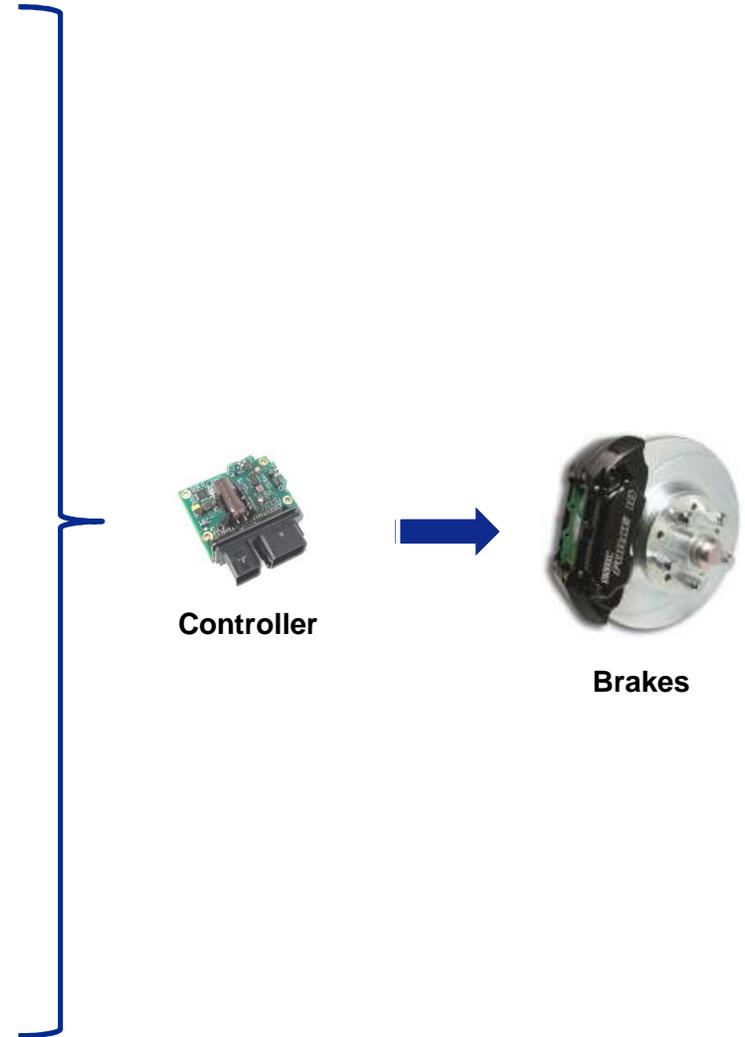
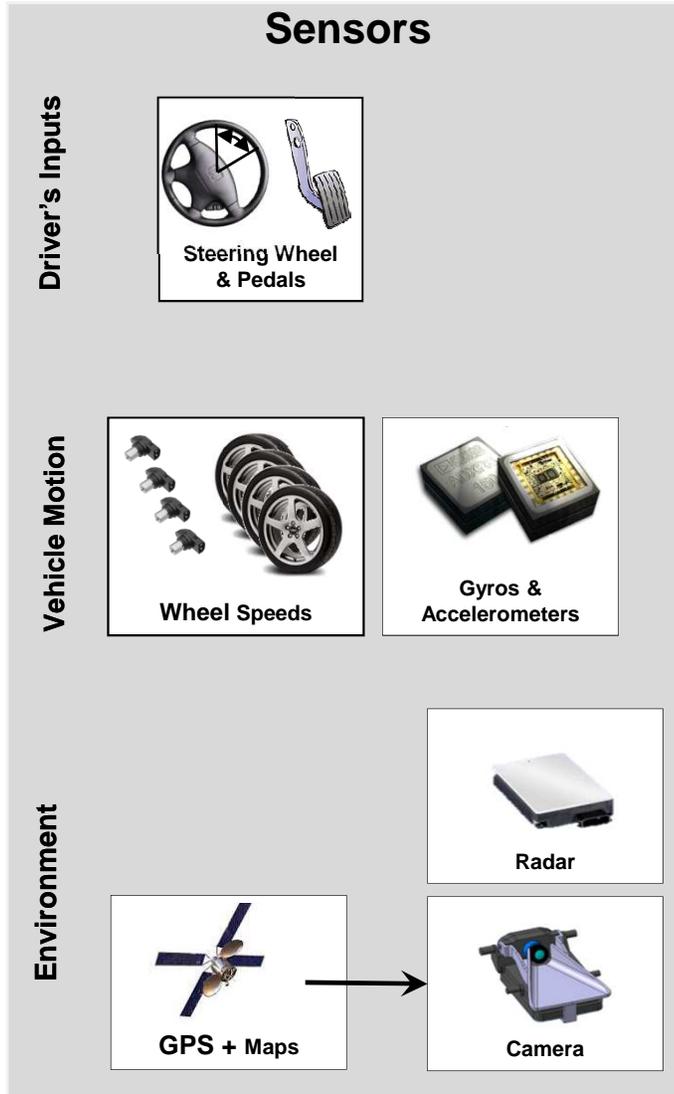
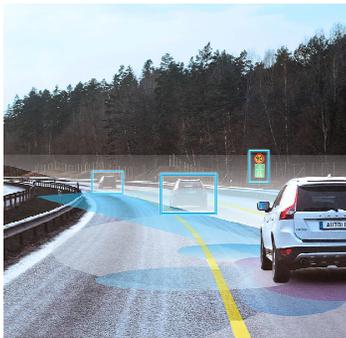


# 2015 Autoliv Vision System

## -In-house developed algorithms for scalability

	Lane Departure Lane Keep Assist	High-Beam Assist	Traffic Sign Recognition	Automatic Emergency Braking	Pedestrian Protection	Free Space Road Surface
<b>Premium</b> 	 					
<b>Safety / NCAP</b> 	 					
<b>Assist</b> 	 					

# Sensor fusion AEB



# Capital Market Day

- June 2-3 in Gothenburg





**Autoliv**

Every year, Autoliv's products  
save over 30,000 lives